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**CIMC Vehicles (Group) Co., Ltd.**

**中集車輛(集團)股份有限公司**

*(A joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 1839)**

## **ANNOUNCEMENT**

### **CONTINUING CONNECTED TRANSACTIONS**

#### **(I) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**

#### **AND**

#### **(II) ENTRY INTO OF ORDINARY RELATED PARTY TRANSACTIONS**

#### **CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the Prospectus, the announcements of the Company dated 25 March 2020 and 22 June 2020 and the circular of the Company dated 28 April 2020, in relation to, among others, (1) the waiver by the Hong Kong Stock Exchange of strict compliance by the Company with the announcement requirements under Rule 14A.35 of the Listing Rules of the Hong Kong Stock Exchange, in respect of the transactions under the Existing Deposit Service Framework Agreement, for a period from the H share Listing Date to (a) the date one year after the Listing Date or (b) the date of the first annual general meeting following the listing of H shares of the Company, whichever is earlier, pursuant to Rule 14A.105 of the Listing Rules of the Hong Kong Stock Exchange; and (2) the approval by the Shareholders for the Existing Deposit Service Framework Agreement and the transactions thereunder, and the annual caps for the two financial years ending 31 December 2021.

Reference is further made to the Prospectus in relation to, among others, the details of transactions under (1) the Existing Procurement Framework Agreement; (2) the Existing Provision of Products and Services Framework Agreement; and (3) the Existing Financial Guarantees Framework Agreement, and the annual caps for the three financial years ending 31 December 2021 for the aforesaid agreements.

As the Existing Agreements will expire on 4 January 2022 and the Company expects to proceed with the aforesaid continuing connected transactions with CIMC and its associates thereafter. on 25 August 2021, the Board considers and approves the proposal on the entering into of the Deposit Service Framework Agreement with CIMC Financial Institution for the annual caps for the three financial years ending 31 December 2024, and the entering into of (1) the Procurement and Service Framework Agreement, (2) the Provision of Products and Services Framework Agreement and (3) the Financial Guarantees Framework Agreement with CIMC for the annual caps for the three financial years ending 31 December 2024, which will come into force on 1 January 2022 and will be valid for a term of three years, subject to the approval at the General Meeting.

## **ENTRY INTO OF ORDINARY RELATED PARTY TRANSACTIONS**

On 25 August 2021, the Board considers and approves the proposal on the entering into of the Jiangsu Wanjing Procurement Framework Agreement with Jiangsu Wanjing for the annual caps for the three financial years ending 31 December 2024, which will come into force on 1 January 2022 and will be valid for a term of three years, subject to the approval at the General Meeting.

As at the date of this announcement, Mr. Li Guiping, executive Director, chief executive officer and president of the Company, also acts as the chairman of Jiangsu Wanjing. Pursuant to the Listing Rules of the Shenzhen Stock Exchange, Jiangsu Wanjing is a related party of the Company. Therefore, the transactions under the Jiangsu Wanjing Procurement Framework Agreement constitute related transactions of the Company, which shall be submitted at the General Meeting for consideration and approval after consideration and approval by the Board.

#### **GENERAL MATTERS**

A General Meeting will be convened by the Company in accordance with the Listing Rules of the Shenzhen Stock Exchange, at which resolutions will be proposed to seek the approval of the Independent Shareholders for the New Agreements, the Jiangsu Wanjing Procurement Framework Agreement, the transactions contemplated thereunder and the proposed maximum

On 25 August 2021, the Board considers and approves the proposal on the entry into of Jiangsu Wanjiang Procurement Framework Agreement with Jiangsu Wanjiang for the annual caps for the three financial years ending 31 December 2024, which will come into force on 1 January 2022 and will be valid for a term of three years, subject to the approval at the General Meeting.

## **I. PRINCIPAL TERMS OF THE DEPOSIT SERVICE FRAMEWORK AGREEMENT**

Parties:	CIMC Financial Institution; and  The Company (on behalf of the Group).
Term:	Subject to the approval of the General Meeting, the agreement will come into force on 1 January 2022 and will be valid for a term of three years.
Scope of cooperation:	CIMC Financial Institution will provide deposit services to the Group. With regard to deposit services provided, the Group deposits cash, including cash from daily business operations and security deposit from the vehicle loan business, into the bank account opened by the Group with CIMC Financial Institution. In return, CIMC Financial Institution pays deposit interests to the Group.
Pricing policy:	The interest rates for the deposits placed by the Group with CIMC Financial Institution are determined with reference to: (i) the interest rates for deposits of a similar type for the same period published by the People's Bank of China; (ii) the interest rate for deposits of a similar type for the same period placed by CIMC Group's subsidiaries (excluding the Group) to CIMC Financial Institution; and (iii) the interest rate for deposits of a similar type for the same period offered by independent commercial banks and/or other non-bank financial institutions to the Group.  The Deposit Service Framework Agreement specifically provides that terms of transactions of the Group contemplated thereunder are to be no less favorable than those entered into between the Group and independent commercial banks and/or other non-bank financial institutions.

## **REASONS FOR TRANSACTIONS AND BENEFITS OF DEPOSIT SERVICES**

Since February 2010, the Group has deposited cash into the bank account opened by it with CIMC Financial Institution, which is a non-wholly owned subsidiary of CIMC and a non-bank financial institution, while CIMC Financial Institution has provided deposit services for the Group. In return, the Group receives interest incomes from CIMC Financial Institution for relevant deposits. Such deposit services are within the ordinary and usual course of business of CIMC Financial Institution. CIMC Financial Institution is restricted from providing deposit services to independent parties from the public in accordance with applicable PRC laws.

The Group's demand for deposit services provided by CIMC Financial Institution is mainly derived from the inflow of monetary funds from its sales. Besides, with regard to the relevant deposit services, the Group believes that it is in the best interests of the Group and its shareholders to enter into transactions with CIMC Financial Institution in accordance with the Deposit Service Framework Agreement for the following reasons:

- (a) the interest rates on the deposit services offered by CIMC Financial Institution will, on a case-by-case basis, be no less favorable than those offered to the Group by independent third parties;
- (b) CIMC Financial Institution has acquired extensive knowledge of the industry of the Group over the years of providing deposit services to the Group and is therefore familiar with the capital structure, business operations, funding needs and cash flow patterns of the Group, which enables it to better anticipate business needs of the Group;
- (c) the arrangements under the Deposit Service Framework Agreement would allow the Group to efficiently manage its funds, and would increase its bargaining power with regard to the terms and interest rates of the deposit services.

CIMC Financial Institution has the necessary licenses required to provide deposit services in China. The Company confirms that, after considering the actual situation, it may also select relevant deposit services provided by other financial institutions during the term of the Deposit Service Framework Agreement. The Group will use the financial services of CIMC Financial Institution on a voluntary basis rather than a compulsory basis, and is not obliged to engage CIMC Financial Institution for any particular services.

## Historical Amounts

	<b>As of 31 December/ For the year ended 31 December (RMB'000)</b>		<b>As of 30 June/ For the six months ended 30 June (RMB'000) (Unaudited)</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>
Maximum daily balance of deposit placed by the Group with CIMC Financial Institution	690,546	677,898	685,695
Interest income derived from the cash deposit	17,352	9,181	4,902

## Proposed Annual Caps

The maximum daily balance of deposit and the aggregate annual amount of interest income under the Deposit Service Framework Agreement for the three years ending 31 December 2024 shall not exceed the caps set out below:

	As of 31 December/For the year ending 31 December (RMB'000)		
	2022	2023	2024
Maximum daily balance of deposit placed by the Group with CIMC Financial Institution	700,000	700,000	700,000
Interest income derived from the cash deposit	14,000	14,000	14,000

## Basis of Proposed Annual Caps

Considering that the balance of deposits previously placed by the Group with CIMC Financial Institution is close to the existing annual caps, the Group has a certain demand for deposit services provided by CIMC Financial Institution. Considering the increase in the demand for placement of deposits with CIMC Financial Institution as a result of (i) the increase in the balance of monetary funds of the Group due to the increase in sales in recent years; and (ii) the increase in the security deposits from the financing services provided by CIMC Connected Persons for customers of the Group, on one hand, and with the hope of enhancing the subsequent independence of the Group from CIMC Group, on the other hand, it is proposed that relevant annual caps should not be increased, and that the annual caps on the maximum daily balance of deposit placed by the Group with CIMC Financial Institution for the three years ending 31 December 2024 should be maintained at RMB700 million.

With regard to deposit services to be provided by CIMC Financial Institution to the Group, the caps on the interest incomes to be received by the Group annually from CIMC Financial Institution are determined based on the expected interest rate for the maximum deposits of the Group, namely an annualized rate of approximately 2.0%, which is within the range of deposit interest rates (between 0.455% and 3.50%, depending on the deposit term) offered by CIMC Financial Institution and more favorable than the benchmark interest rate set by the People's Bank of China (ranging from 0.35% to 2.75%) and the prevailing interest rate offered by major independent commercial banks in China for deposits of the similar type (ranging from 0.3% to 3.15%), with the premium between approximately 10% and 50%.

## Internal Control Measures

In order to ensure that the terms under the Deposit Service Framework Agreement for the continuing connected transactions are fair and reasonable, and no less favorable to the Group than terms available to or from independent third parties, and the connected transactions are carried out on normal commercial terms, the Group has adopted the following internal control procedures.

The Group has adopted and implemented a management system on connected transactions. Under such system, the Audit Committee will be responsible for regular review on an annual basis on compliance with relevant laws, regulations, the Group's policies, the Listing Rules of the Hong Kong Stock Exchange and the Listing Rules of the Shenzhen Stock Exchange in respect of the continuing connected transactions. In addition, the Audit Committee, the Board and various internal departments of our Company (including but not limited to the treasury department of the Company and the board secretary's office) are jointly responsible for evaluating the terms under the Deposit Service Framework Agreement in relation to the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps under the Deposit Service Framework Agreement.

The Audit Committee, the Board and the treasury department of the Company will also regularly monitor the implementation and the transaction progress under the Deposit Service Framework Agreement. In addition, the management of the Company regularly reviews the pricing policies under the Deposit Service Framework Agreement.

Independent Non-executive Directors and auditors will conduct annual review of the continuing connected transactions under the Deposit Service Framework Agreement and provide annual confirmation to ensure that, in accordance with the Listing Rules of the Hong Kong Stock Exchange and the Listing Rules of the Shenzhen Stock Exchange, the transactions are conducted pursuant to the terms of the Deposit Service Framework Agreement, normal commercial terms and the pricing policies.

The Group has adopted the following procedures to control the risks in relation to the deposits placed by the Group with CIMC Financial Institution, so as to ensure that the applicable annual caps are not exceeded:

- (a) The treasury department of the Company will monitor the daily deposits placed by the Group with CIMC Financial Institution, so as to monitor its accounts and ensure that relevant transaction amounts will not exceed annual caps under the Deposit Service Framework Agreement, and conduct a periodic risk assessment of deposits placed by the Group with CIMC Financial Institution;
- (b) If the balance is close to or expected to exceed the applicable maximum daily deposit balance, the Group will transfer part of the funds to a designated bank account opened by it with an independent commercial bank or a non-bank financial institution. The Group will also be notified immediately once the daily deposit balance is close to the maximum daily balance limit; and
- (c) The Group will closely monitor the financial and operating conditions of CIMC Financial Institution. If the Company considers that there are material adverse changes in the financial position of CIMC Financial Institution, the Company will take appropriate measures, including early withdrawal of deposit and suspension of further deposits, to protect its financial position. The Company will, from time to time, at its sole discretion, request that the deposits with CIMC Financial Institution be withdrawn or terminated early (either in full or in part) to assess and ensure the liquidity and safety of its deposits.

## II. PRINCIPAL TERMS OF THE PROCUREMENT AND SERVICE FRAMEWORK AGREEMENT

Parties: CIMC (on behalf of CIMC Connected Persons, and as the supplier); and

The Company (on behalf of the Group, and as the purchaser).

Term: Subject to the approval of the General Meeting, the agreement will come into force on 1 January 2022 and will be valid for a term of three years.

Scope of cooperation: CIMC Connected Persons will supply, including but not limited to, raw materials, containers, truck chassis and vehicle parts and components and logistics services to the Group.

Pricing policy: In order to ensure that the terms of transactions in respect of the procurement by the Group of products and services by the Group from CIMC Connected Persons complies with the consensus and arm's length principles, and that the transaction terms under the agreement are on normal commercial terms or better, the Group will take the following measures:

1.1 The Group will regularly contact CIMC Connected Persons, to keep abreast of market developments and the price trend of products and services.

1.2 The Group will review, evaluate and compare the quotations or proposals obtained, in consideration of other factors, such as continuity of business cooperation, product quality and suitability, payment period, end-customer selection and provision of after-sales service, so as to ensure that the transaction is in the best interests of the Group and the Shareholders as a whole.

1.3 In pricing, the Group will take into consideration, the following factors:

1.3.1 In the case of procurement of raw materials, containers, truck chassis and vehicle parts and components: if market prices of similar raw materials, containers, truck chassis and vehicle parts and components are available, market prices and quotations from CIMC Connected Persons will be taken into consideration; If no relevant market prices of similar products are available, raw material, labor and other production-related costs arising from procurement or production of relevant raw materials, parts and components will be taken into consideration, and the procurement costs will be calculated, based on expected reasonable profit margin plus cost. Based on the above considerations, the procurement of the products is calculated at unit cost.



In the case of procurement of services: The fees of logistics services will be charged on the basis of the volume, size and weight of the semi-trailers, truck bodies or components and parts to be shipped, custodial requirements, and delivery and handling requirements. In determining the prices, the Group will also take into consideration the market prices of similar services. When the Group procures relevant services in its ordinary and usual course of business, it determines the relevant procurement terms through negotiations based on the categories and scale of the procurement. The Group implements various internal approval and monitoring procedures, including obtaining quotations from independent suppliers of similar services and take into consideration the assessment criteria (including price, quality, suitability, payment terms, and time required for the provision and delivery of the products and services) before entering into any new procurement arrangement with CIMC Connected Persons, and reviewing such quotes, together with the offer from CIMC Connected Persons.

After considering the above factors, the purchase prices payable by the Group to CIMC Connected Persons shall be close to the market prices or shall not exceed prices for transactions with independent third parties.

## **REASONS FOR AND BENEFITS OF TRANSACTIONS**

The Group has always procured and will continue to procure products and services from CIMC Connected Persons as such procurement meets the daily operational needs of the Group in its ordinary course of business while CIMC Connected Persons have been providing the Group with such products and services with standard and quality commensurate with the requisite safety and quality standard of the Group and can meet the needs of the Group efficiently and reliably. In addition, as CIMC Connected Persons and the Group are subsidiaries of CIMC Group, it is expected that both parties' deeper understanding of their respective operations in previous cooperation should make the products and services provided by CIMC Connected Persons more rapid and efficient than those provided by other independent third parties.

Based on relevant annual caps, none of the continuing connected transactions under the Procurement and Service Framework Agreement will exceed 5% of the cost of sales of the Group (by reference to the cost of sales of the Group disclosed in the 2020 annual report). Therefore, such continuing connected transactions will not lead to dependency on CIMC Connected Persons. The Group has readily available access to identical or similar raw materials, containers, truck chassis and vehicle parts and components and logistics services from independent third parties on similar terms in the PRC and elsewhere, but that such procurement from independent third parties would not be as efficient as the Group's current procurement arrangements with CIMC Connected Persons, in terms of cost, quality or operation.

Furthermore, as shipowners and carriers of CIMC Connected Persons that provide certain logistics services to the Group are the leaders in the shipping industry and have sufficient freight spaces, they can provide more freight spaces more flexibly for the Group to meet urgent transportation needs. Therefore, although the Group can obtain similar logistics services from independent suppliers, the logistics services provided by CIMC Connected Persons are more flexible than those provided by other independent third parties in meeting the logistics and transportation needs of the Group.

## Historical Amounts

	For the year ended 31 December (RMB'000)		Six months ended 30 June (RMB'000) (Unaudited)
	2019 (Note)	2020 (Note)	2021
Goods procurement	466,077	404,414	183,922
Services received	150,608	74,968	24,737
Total	<u>616,685</u>	<u>479,382</u>	<u>208,659</u>

*Note:* Including but not limited to the amount of previous goods procurement and services received from Jiangsu Wanjing and other associates.

## Proposed Annual Caps

The aggregate annual transaction amount of goods procurement and services received under the Procurement and Service Framework Agreement for the three years ending 31 December 2024 shall not exceed the annual caps set out below:

	For the year ending 31 December (RMB'000)		
	2022	2023	2024
Goods procurement	400,000	440,000	490,000
Services received	70,000	75,000	83,000
Total	<u>470,000</u>	<u>515,000</u>	<u>573,000</u>

## **Basis of Proposed Annual Caps**

In determining the annual caps on the above transaction amount of procurement and services, the Group takes into consideration: (i) the historical amount of goods procurement and services received from CIMC Connected Persons; (ii) the macroeconomic situation, market demand and industry standards, and the future development strategy and business plan of the Group; (iii) the number of products and services expected to be procured from CIMC Connected Persons and the market price fluctuation; and (iv) the proposed annual caps on the amount of goods procurement from CIMC Connected Persons for the next three years, which will exclude the upper limit of the amount of goods procurement from Jiangsu Wanjing, while the proposed annual caps on the amount of goods procurement from Jiangsu Wanjing will be determined separately.

## **Internal Control Measures**

In order to ensure that the terms under the Procurement and Service Framework Agreement are fair and reasonable, and no less favorable to the Group than terms available to or from independent third parties, and the connected transactions are carried out on normal commercial terms, the Group has adopted the following internal control procedures.

The Group has adopted and implemented a management system on connected transactions. Under such system, the Audit Committee will be responsible for regular review on an annual basis on compliance with relevant laws, regulations, the Group's policies, the Listing Rules of the Hong Kong Stock Exchange and the Listing Rules of the Shenzhen Stock Exchange in respect of the continuing connected transactions. In addition, the Board, the Audit Committee and various internal departments of our Company (including but not limited to the finance department of the Company, the procurement departments of subsidiaries, and the board secretary's office) are jointly responsible for evaluating the terms under the Procurement and Service Framework Agreement in relation to the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps under the Procurement and Service Framework Agreement.

Before entering into any individual procurement contract with CIMC Group and after receipt of the procurement quotation from CIMC Group, the procurement departments of subsidiaries will obtain from independent third parties, quotations for the same quantities of identical or similar raw materials, truck chassis, containers, vehicle parts and components, and logistics services, so as to determine relevant market prices. Meanwhile, the Group will also take into consideration the counterparty's corporate background, reputation and credibility, product quality, ability to customize parts and components and the corresponding savings in the Group's time and transaction costs.

The Board, the Audit Committee and the finance department of the Company will also regularly monitor the implementation and the transaction progress under the Procurement and Service Framework Agreement. In addition, the management of the Company also regularly reviews the pricing policies under the Procurement and Service Framework Agreement.

Independent Non-executive Directors and auditors will conduct annual review of the continuing connected transactions under the Procurement and Service Framework Agreement and provide annual confirmation to ensure that, in accordance with the Listing Rules of the Hong Kong Stock Exchange and the Listing Rules of the Shenzhen Stock Exchange, the abovementioned transactions are conducted pursuant to the terms of the Procurement and Service Framework Agreement, normal commercial terms and the pricing policies.

### III. PRINCIPAL TERMS OF THE PROVISION OF PRODUCTS AND SERVICES FRAMEWORK AGREEMENT

Parties: CIMC (on behalf of CIMC Connected Persons, and as the purchaser); and

The Company (on behalf of the Group, and as the supplier)

Term: Subject to the approval of the General Meeting, the agreement will come into force on 1 January 2022 and will be valid for a term of three years.

Scope of cooperation: CIMC Connected Persons will purchase, including but not limited to, semi-trailers, truck bodies, parts and components, vehicle and equipment lease services, container maintenance and supply chain services from the Group.

Pricing policy: In order to ensure that the provision by the Group of products and services to CIMC Connected Persons complies with the consensus and arm's length principles, and that the transaction terms under the agreement are on normal commercial terms, the Group will take the following measures:

1.1 In determining the prices of semi-trailers, truck bodies, parts and components, the Group will take into consideration the profit margin of similar products sold by the Group to independent third parties and relevant costs of selling the products. Costs include but are not limited to: raw materials, auxiliary materials, depreciation, labor, energy, taxes and other costs and expenses. The Group ensures that the pricing basis is no less favorable than the price offered to an independent third party under the same circumstances and is in the interests of the Group and all its shareholders.

1.2 The fees for the provision of vehicle and equipment lease services, supply chain services and container maintenance are determined through arm's length negotiation between the parties. The Group will consider the previously applicable prices of relevant services, in consideration of comparable market prices; if no reference prices are available in the market, the price will be based on cost plus a reasonable profit margin. The Group ensures that the terms of the services provided to CIMC Connected Persons are fair and reasonable to the Group.

After considering the above factors, the selling prices payable by CIMC Connected Persons to the Group shall be close to the market prices or shall be no less favorable than the prices for transactions with independent third parties.

## REASONS FOR AND BENEFITS OF TRANSACTIONS

The Group has provided CIMC Connected Persons with semi-trailers, truck bodies, parts and components, vehicle and equipment lease services, container maintenance and supply chain services. The Group provides various products and comprehensive services to CIMC Connected Persons in its ordinary and usual course of business. The Directors (including the Independent Non-executive Directors) believe that it is in the interest of the Group and its Shareholders to provide products and comprehensive services on normal commercial terms to CIMC Connected Persons for the following reasons:

- a) The Group has established long-term cooperation relationships with CIMC Connected Persons and understands the business plans, quality control and other special requirements of both parties; in addition, as the Group and CIMC Connected Persons are subsidiaries of CIMC Group, the Group can obtain relatively comprehensive information in terms of customer credit assessment of CIMC Connected Persons before sales, and more efficiently carry out financial work including reconciliation of accounts receivable from sales, and collection of payments;
- b) The prices and terms of products and services provided by the Group to CIMC Connected Persons are no less favorable to the Group than those provided by the Group to independent third parties;
- c) Entering into the Provision of Products and Services Framework Agreement enables the Group to sell products to CIMC Connected Persons for their manufacturing and business operations, so that the Group can additionally maintain a stable source of revenue; and
- d) Based on relevant annual caps, none of the connected transactions under the Provision of Products and Services Framework Agreement will exceed 5% of revenue of the Group (by reference to the revenue of the Group disclosed in the 2020 annual report). Therefore, the Board believes that the relevant connected transactions will not lead to dependency of the Group on CIMC Connected Persons.

### Historical Amounts

	For the year ended 31 December (RMB'000)		Six months ended 30 June (RMB'000) (Unaudited)
	2019 (Note)	2020 (Note)	2021
Sales of goods	116,038	271,126	175,940
Services provided	12,337	7,335	15,927
Total	<u>128,375</u>	<u>278,461</u>	<u>191,867</u>

*Note:* Including but not limited to the amount of previous sales of goods and services provided between the Group and Jiangsu Wanjiang and other associates.

## Proposed Annual Caps

The aggregate annual amount of procurement and services provided under the Provision of Products and Services Framework Agreement for the three years ending 31 December 2024 shall not exceed the annual caps set out below:

	For the year ending 31 December		
	<i>(RMB'000)</i>		
	2022	2023	2024
Sales of goods	460,000	510,000	560,000
Services provided	50,000	55,000	60,000
Total	<u>510,000</u>	<u>565,000</u>	<u>620,000</u>

## Basis of Proposed Annual Caps

In determining the annual caps on the above amount of sales of goods and services provided, the Group takes into consideration: (i) the amount of previous sales of goods and services provided for CIMC Connected Persons; (ii) the stable increase in sales of products and the number of relevant supporting services provided by the Group to CIMC Connected Persons in the future, after taking into consideration, among others, the macroeconomic situation, market demand, market price fluctuation, industry standards and CIMC Group and the Group's development strategy and business expansion plan; and (iii) excluding the annual caps on the amount of sales of goods and services provided with Jiangsu Wanjing will not have an impact on determining the annual caps on the amount of sales of goods and services to be provided to CIMC Connected Persons for the next three years.

## Internal Control Measures

In order to ensure that the terms under the Provision of Products and Services Framework Agreement are fair and reasonable, and no less favorable to the Group than terms available to or from independent third parties, and the connected transactions are carried out on normal commercial terms, the Group has adopted the following internal control procedures.

The Group has adopted and implemented a management system on connected transactions. Under such system, the Audit Committee will be responsible for regular review on an annual basis on compliance with relevant laws, regulations, the Group's policies, the Listing Rules of the Hong Kong Stock Exchange and the Listing Rules of the Shenzhen Stock Exchange in respect of the continuing connected transactions. In addition, the Audit Committee, the Board and various internal departments of the Company (including but not limited to the finance department of the Company, the sales departments of subsidiaries, and the board secretary's office) are jointly responsible for evaluating the terms under the Provision of Products and Services Framework Agreement in relation to the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps under the Provision of Products and Services Framework Agreement.

In determining the prices of semi-trailers, truck bodies, parts and components, the sales department of the Group will take into consideration the profit margin of similar products sold by the Group to independent third parties and relevant costs of selling the products. Costs include but are not limited to: raw materials, auxiliary materials, depreciation, labor, energy, cutter/tool, technical consumption, equipment maintenance, management costs and financial costs. The Group ensures that the pricing basis is no less favorable than the price offered to an independent third party and is in the interests of the Group and all its shareholders. The Group will also take into consideration the previously applicable prices of relevant services, including the prices for identical services provided by the Group to independent third parties or by independent third parties, and will ensure that the terms of services provided to CIMC Connected Persons are fair and reasonable to the Group, based on comparable market prices and the principle of cost plus a reasonable profit margin.

The Board, the Audit Committee and the finance department of the Company will also regularly monitor the implementation and the transaction progress under the Provision of Products and Services Framework Agreement. In addition, the management of the Company also regularly reviews the pricing policies under the Provision of Products and Services Framework Agreement.

Independent Non-executive Directors and auditors will conduct annual review of the continuing connected transactions under the Provision of Products and Services Framework Agreement and provide annual confirmation to ensure that, in accordance with the Listing Rules of the Hong Kong Stock Exchange and the Listing Rules of the Shenzhen Stock Exchange, the abovementioned transactions are conducted pursuant to the terms of the Provision of Products and Services Framework Agreement, normal commercial terms and the pricing policies.

#### **IV. PRINCIPAL TERMS OF THE FINANCIAL GUARANTEES FRAMEWORK AGREEMENT**

Parties:	CIMC (on behalf of CIMC Connected Persons); and The Company (on behalf of the Group)
Term:	Subject to the approval of the General Meeting, the agreement will come into force on 1 January 2022 and will be valid for a term of three years.
Scope of cooperation:	The Group agrees to provide financial guarantee and performance bond for CIMC financial institutions, so that CIMC financial institutions can provide financing to customers of the Group.
Pricing policy:	The financial guarantees provided by the Group to the CIMC Financial Group are on normal commercial terms or better to the Group compared to those of the financial guarantees provided by the Group to independent commercial banks in the PRC and/or other non-bank financial institutions.



## **REASONS FOR AND BENEFITS OF TRANSACTIONS**

Certain customers of the Group may obtain financing from commercial banks in the PRC or other non-bank financial institutions (including CIMC Financial Group) for the purchase of products



## Internal Control Measures

The Group has adopted and implemented a management system on connected transactions. Under such system, the Audit Committee will be responsible for regular review on an annual basis on compliance with relevant laws, regulations, the Group's policies, the Listing Rules of the Hong Kong Stock Exchange and the Listing Rules of the Shenzhen Stock Exchange in respect of the continuing connected transactions. In addition, the Audit Committee, the Board and various internal departments of our Company (including but not limited to the treasury department and the board secretary's office) are jointly responsible for evaluating the terms under the Financial Guarantees Framework Agreement in relation to the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps under the Financial Guarantees Framework Agreement.

In accordance with relevant management systems of the Group including the Management Measures of CIMC Vehicles Group for Vehicle Loan Business and the Post-loan Operation Rules of CIMC Vehicles Group for Vehicle Loan Business, the Group has also adopted several internal control procedures and risk management measures, including but not limited to (i) pursuant to established review procedures and evaluation standards, conducting credit investigation of relevant customers before providing financial guarantees to customers, so as to ensure that vehicle purchasers are natural persons and corporate customers who meet the requirements of the Group and cooperative banks or leasing companies; (ii) checking the information in relevant supporting documents, including customers' recent business contracts or other materials that can prove revenues and materials required for mortgage; (iii) obtaining the approval of designated persons; and (iv) appropriate post-loan management, including regular monitoring of repayment by customers, collection of overdue payments, judicial remedy, so as to reduce the risks involved in the provision of guarantees by the Group.

The performance guarantee measures adopted by the Group mainly include (1) Vehicle mortgage: Customers are required to complete the vehicle mortgage registration procedures within the period specified by financial institutions. If the vehicle mortgage registration cannot be completed due to special reasons, physical properties with the same value shall be mortgaged; in principle, vehicle loan business shall not be carried out in areas where vehicle mortgage registration cannot be completed; (2) Counter guarantee: Customers who purchase vehicles through financing shall provide counter guarantee measures; and (3) Post-loan management and judicial remedy: It is necessary to strengthen collection and seek judicial remedy in a timely manner, in case of overdue payment by customers.

The Board, the Audit Committee and the finance department of the Company will also regularly monitor the implementation and the transaction progress under the Provision of Products and Services Framework Agreement. In addition, the management of the Company regularly reviews the pricing policies under the Financial Guarantees Framework Agreement.

Independent Non-executive Directors and auditors will conduct annual review of the continuing connected transactions under the Financial Guarantees Framework Agreement and provide annual confirmation to ensure that, in accordance with the Listing Rules of the Hong Kong Stock Exchange and the Listing Rules of the Shenzhen Stock Exchange, the transactions are conducted pursuant to the terms of the Financial Guarantees Framework Agreement, normal commercial terms and the pricing policies.

After the Financial Guarantees Framework Agreement and the transactions thereunder being approved at the General Meeting, the Company shall conduct review procedures on the financial guarantees provided to CIMC financial institutions by the customers of the Group in terms of purchases of its products, and make relative disclosure, under the Listing Rules of the Shenzhen Stock Exchange, the Guidelines on Compliant Operation of Listed Companies of the ChiNext of the Shenzhen Stock Exchange and other relevant requirements.

## **V. PRINCIPAL TERMS OF THE JIANGSU WANJING PROCUREMENT FRAMEWORK AGREEMENT**

Parties: Jiangsu Wanjing (as the supplier); and  
The Company (on behalf of the Group, and as the purchaser).

Term: Subject to the approval of the General Meeting, the agreement will come into force on 1 January 2022 and will be valid for a term of three years.

Scope of cooperation:

## REASONS FOR AND BENEFITS OF TRANSACTIONS

According to the Global Trailer's top global OEM ranking list for semi-trailer manufacturers announced in 2020, the Group was the world's No.1 semi-trailer manufacturer in terms of production volume. The Group began to make arrangements for axle business and invested in Jiangsu Wanjing, in order to enhance its bargaining power against upstream parts suppliers, extend the value chain of semi-trailer products and meet the customization requirements for axle parts and components. The principal business of Jiangsu Wanjing is the manufacturing of bearings, research and development, design, production and sales of axle parts and components, with its main products being axle parts and components. After completion of its equity investment in Jiangsu Wanjing, the Group basically realized its arrangements for the industry chain of axle production, research and development, and further improved its bargaining power against upstream axle suppliers.

Jiangsu Wanjing, as a professional manufacturer of axle parts and components, can provide products and services including the development of integrated axles, verification of purchased parts and quality assurance of axles for the axle business of the Group. The standards and quality of relevant products and services provided by Jiangsu Wanjing have always complied with the Group's safety and quality standards, and Jiangsu Wanjing can meet the Group's needs efficiently and reliably.

Jiangsu Wanjing is a joint venture established by the Company and an independent third party. It is expected that both parties' deeper understanding of their respective operations in previous cooperation should make the products provided by Jiangsu Wanjing more rapid and efficient than those provided by other independent third parties, and post-procurement financial work including reconciliation and payment can be carried out more efficiently to minimize the impact on operations and internal procedures of the Group.

In addition, axle parts and components purchased by the Group from Jiangsu Wanjing are used for the production of axles, which are core components for semi-trailer production. The procurement of relevant components from Jiangsu Wanjing can meet the Group's demand for customization of axles and axle components.

### Historical Amounts

	For the year ended 31 December (RMB'000)		Six months ended 30 June (RMB'000) (Unaudited)
	2019	2020	2021
Procurement amount	29,426	90,125	62,318

### Proposed Annual Caps

The aggregate annual procurement amount under the Jiangsu Wanjing Procurement Framework Agreement for the three financial years ending 31 December 2024 shall not exceed the annual caps set out below:

**For the year ending 31 December***(RMB'000)***2022                      2023                      2024**

Procurement amount	100,000	200,000	240,000
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**Basis of Proposed Annual Caps**

In determining the annual caps on the above procurement services, the Group takes into consideration: (i) the historical amount of procurement from Jiangsu Wanjing, and the increase in the estimated amount for the year ending 31 December 2021 as compared with the actual amount for the year ending 31 December 2020; and (ii) the macroeconomic situation, market demand and industry standards, and the future development strategy, business plan of the Group and market price fluctuation.

**Internal Control Measures**

In order to ensure that the terms under the Jiangsu Wanjing Procurement Framework Agreement for the related transactions are fair and reasonable, and no less favorable to the Group than terms available to or from independent third parties, and the related transactions are carried out on normal commercial terms, the Group has adopted the following internal control procedures.

The Group has adopted and implemented a management system on connected transactions. Under such system, the Audit Committee will be responsible for regular review on an annual basis on compliance with relevant laws, regulations, the Group's policies, the Listing Rules of the Hong Kong Stock Exchange and the Listing Rules of the Shenzhen Stock Exchange in respect of the related transactions. In addition, the Audit Committee, the Board and various internal departments of our Company (including but not limited to the finance department of the Company, the procurement department of the Group, and the board secretary's office) are jointly responsible for evaluating the terms under the Jiangsu Wanjing Procurement Framework Agreement in relation to the related transactions, in particular, the fairness of the pricing policies and annual caps under the Jiangsu Wanjing Procurement Framework Agreement.

The procurement department of the Group carries out the bidding-based pricing for axle parts and components in accordance with the centralized procurement management rules, so as to ensure that the bid price offered by Jiangsu Wanjing is more favorable than those offered by competitors, and that the quality warranty terms offered by Jiangsu Wanjing are more favorable than those offered by other suppliers.

The Audit Committee, the Board and the finance department of the Company will also regularly monitor the implementation and the transaction progress under the Jiangsu Wanjing Procurement Framework Agreement. In addition, the management of the Company regularly reviews the pricing policies under the Jiangsu Wanjing Procurement Framework Agreement.

## **GENERAL INFORMATION**

### **The Company**

The Group is the world's leading high-end manufacturer of semi-trailers and specialty vehicles. According to the Global Trailer's top global OEM ranking list for semi-trailer manufacturers announced in 2020, the Group was the world's No. 1 semi-trailer manufacturer in terms of production volume. The Group is engaged in the manufacture, sale and after-sales services of seven major categories of semi-trailers in global major markets. In the China market, the Group is a competitive and innovative manufacturer of truck bodies for specialty vehicles as well as a manufacturer of refrigerated truck bodies.

### **CIMC**

CIMC is a joint stock company established in the PRC with limited liability, with its H Shares listed on the main board of the Hong Kong Stock Exchange and A Shares listed on the Shenzhen Stock Exchange. CIMC is a world-leading equipment and solution provider in the logistics and energy industries and is principally engaged in the manufacture of containers, road transportation vehicles, energy/chemical/liquid food equipment, offshore engineering equipment, airport facilities equipment as well as the provision of relevant services, including the design and manufacture of international standard dry containers, reefer containers, special-purpose containers, tank containers, wooden container floorboards, road tank trucks, natural gas processing equipment and static tanks, road transportation vehicles, heavy trucks, jack-up drilling platforms, semisubmersible drilling platforms, special vessels, passenger boarding bridges and bridge-mounted equipment, airport ground support equipment, fire safety and rescue vehicles, and the design, manufacture and services of automated logistics system and intelligent parking system. In addition, CIMC is also engaged in logistics services business, finance and asset management and other businesses. CIMC has established an industrial cluster focusing on key equipment and solutions of logistics and energy industry through business expansion and technology development.

### **CIMC Financial Institution**

CIMC Financial Institution, a limited liability company established in the PRC on 9 February 2010 is a non-wholly owned subsidiary of CIMC, with 54.35% of equity interest directly held by CIMC. In addition, Shenzhen Southern CIMC Containers Manufacture Co., Ltd., Shenzhen CIMC-Tianda Airport Support Co., Ltd., CIMC Enric (Jingmen) Energy Equipment Company Limited and CIMC Wetrans Logistics Technology (Group) Co., Ltd. (中集世聯達物流科技(集團)股份有限公司) (each a subsidiary of CIMC) hold 21.09%, 10.54%, 7.01% and 7.01% of the equity interest, respectively. CIMC Financial Institution is mainly engaged in providing financial services for CIMC Group and the Group. CIMC Financial Institution is a non-bank financial institution, established with the approval and subject to supervision by relevant PRC regulatory authorities, including the People's Bank of China and the China Banking Regulatory Commission, in accordance with the Measures for the Administration of Finance Companies of Enterprise Groups.

## **Jiangsu Wanjing**

Jiangsu Wanjing, a limited company established in China, is mainly engaged in the manufacturing of bearings, research and development, design, production and sales of axle parts and components, with its main products being axle parts and components. As at the date of this announcement, Hangzhou Huaxinxiang Technology Partnership (Limited Partnership)( 杭州華欣祥科技合夥企業( 有限合夥 )) and the Company respectively holds 57.3% and 42.7% equity interests in Jiangsu Wanjing. Zhejiang Yuecai Industrial Design Co., Ltd. ( 浙江越彩工業設計有限責任公司 ) holds 88.4% equity interest in Hangzhou Huaxinxiang Technology Partnership (Limited Partnership) and is in turn wholly owned by Mr. Xu Jianyang ( 徐建洋 ). As at the date of this announcement, Mr. Li Guiping, executive Director, chief executive officer and president, acts as the chairman of Jiangsu Wanjing, but to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, he does not directly or indirectly hold any shares in Jiangsu Wanjing. To the best of the Directors' knowledge, having made all reasonable enquiries, Jiangsu Wanjing and its ultimate beneficial owners are independent third parties of the Company and its connected persons.

## **IMPLICATIONS OF THE LISTING RULES OF THE HONG KONG STOCK EXCHANGE**

As at the date of this announcement, CIMC and its associates directly and indirectly hold 50.23% of the shares of the Company and are Controlling Shareholders of the Company. CIMC Financial Institution is also a subsidiary of CIMC and is therefore an associate of CIMC. Therefore, CIMC and CIMC Financial Institution are connected persons of the Company. The transactions contemplated under the New Agreements constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules of the Hong Kong Stock Exchange. As the highest applicable percentage ratio in respect of the proposed maximum daily balance/annual caps under the New Agreements respectively calculated pursuant to Chapter 14A of the Listing Rules of the Hong Kong Stock Exchange are more than 0.1% but less than 5%, the transactions contemplated under the New Agreements are subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules of the Hong Kong Stock Exchange, but are exempt from the independent shareholders' approval requirements.

As Mr. Mai Boliang, Mr. Wang Yu and Ms. Zeng Beihua are Directors, and hold directorships and/or senior management positions in CIMC and/or certain of its subsidiaries, they are deemed to have a material interest in the transactions contemplated under the New Agreements. They abstained from voting on the resolutions on the New Agreements, the transactions contemplated thereunder and the proposed annual caps. Save for the above persons, other Directors are not interested in the transactions contemplated under the New Agreements.

As at the date of this announcement, Mr. Li Guiping, executive Director, chief executive officer and president, also acts as the chairman of Jiangsu Wanjing, but to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, he does not directly or indirectly hold any shares in Jiangsu Wanjing. Jiangsu Wanjing is not a connected person of the Company, pursuant to Chapter 14A of the Listing Rules of the Hong Kong Stock Exchange. Therefore, the transactions under the Jiangsu Wanjing Procurement Framework Agreement are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules of the Hong Kong Stock Exchange.



Based on the above, the Board, including the Independent Non-executive Directors, believes that (i) the New Agreements and the continuing connected transactions contemplated thereunder are entered into on normal commercial terms in the ordinary and usual course of business of the Company; and (ii) the continuing connected transactions and the proposed annual caps under the New Agreements are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

## **IMPLICATIONS OF LISTING RULES OF THE SHENZHEN STOCK EXCHANGE**

As at the date of this announcement, CIMC and persons acting in concert with it directly and indirectly hold 50.23% of the shares of the Company and are Controlling Shareholders of the Company. Pursuant to the Listing Rules of the Shenzhen Stock Exchange, CIMC and persons acting in concert with it are related parties of the Company. Therefore, the transactions under the New Agreements constitute related transactions of the Company. As the highest applicable percentage ratios in respect of the proposed maximum daily balance/annual caps under the New Agreements in aggregate calculated pursuant to the Listing Rules of the Shenzhen Stock Exchange are more than 5%, the transactions under the New Agreements shall be submitted at the General Meeting for consideration, pursuant to the Listing Rules of the Shenzhen Stock Exchange.

As Mr. Li Guiping is a Director as well as a director of Jiangsu Wanjing, he is deemed to have a material interest in the transactions contemplated under the New Agreements, in accordance with the Listing Rules of the Shenzhen Stock Exchange. He abstained from voting on the resolutions on the Jiangsu Wanjing Procurement Framework Agreement, the transactions contemplated thereunder and the proposed annual caps. Save for the above persons, other Directors are not interested in the transactions contemplated under the Jiangsu Wanjing Procurement Framework Agreement.

As at the date of this announcement, Mr. Li Guiping, executive Director, chief executive officer and president, acts as the chairman of Jiangsu Wanjing. Pursuant to the Listing Rules of the Shenzhen Stock Exchange, Jiangsu Wanjing is a related party of the Company. Therefore, the transactions under the Jiangsu Wanjing Procurement Framework Agreement constitute related transactions of the Company, which shall be submitted at the General Meeting for consideration and approval after consideration and approval by the Board.

## **GENERAL MATTERS**

A General Meeting will be convened in accordance with the Listing Rules of the Shenzhen Stock Exchange, at which resolutions will be proposed to seek the approval of the Independent Shareholders for the New Agreements, the Jiangsu Wanjing Procurement Framework Agreement, the transactions contemplated thereunder and the proposed maximum daily balance/annual caps. A circular containing, among others, (1) further details of the New Agreements, the transactions contemplated thereunder and the proposed maximum daily balance/annual caps; and (2) further details of the Jiangsu Wanjing Procurement Framework Agreement, the transactions contemplated thereunder and the proposed maximum annual caps (if any), and the notice of the General Meeting, will be despatched to the Shareholders in due course.

## **DEFINITIONS**

“associate(s)”	has the meaning ascribed thereto under the Listing Rules of the Hong Kong Stock Exchange
“Audit Committee”	the audit committee of the Company
“Board”	the board of Directors of the Company
“China” or “PRC”	the People’s Republic of China, excluding the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan
“CIMC”	



“Director(s)”	the director(s) of the Company
“Existing Agreements”	collectively, the Existing Deposit Service Framework Agreement, the Existing Procurement Framework Agreement, the Existing Provision of Products and Services Framework Agreement and the Existing Financial Guarantees Framework Agreement
“Existing Deposit Service Framework Agreement”	the deposit service framework agreement entered into on 15 January 2019 by and between the Company and CIMC with regard to the provision by CIMC Group of deposit services to the Group
“Existing Financial Guarantees Framework Agreement”	the financial guarantees framework agreement entered into on 15 January 2019 by and between the Company and CIMC, with the supplementary agreement entered into before the Listing Date
“Existing Procurement Framework Agreement”	the procurement of products and services framework agreement entered into on 15 January 2019 by and between the Company and CIMC, with the supplementary agreement entered into before the Listing Date
“Existing Provision of Products and Services Framework Agreement”	the provision of products and services framework agreement entered into on 15 January 2019 by and between the Company and CIMC
“Financial Guarantees Framework Agreement”	the financial guarantees framework agreement 2022-2024 proposed to be entered into by the Company with CIMC, which will be officially entered into, subject to approval at the General Meeting, and will come into force on 1 January 2022; both parties agree that the Existing Financial Guarantees Framework Agreement will expire on 31 December 2021
“General Meeting”	extraordinary general meeting of the company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
"Independent Non-executive Director(s)" or "Independent Director(s)"	the independent non-executive director(s) of the Company
“Independent Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules of the Hong Kong Stock Exchange

“Jiangsu Wanjing”	Jiangsu Wanjing Technology Co., Ltd., a company incorporated in the PRC with limited liability, with 42.67% of shares held by the Company
“Jiangsu Wanjing Procurement Framework Agreement”	the procurement framework agreement 2022-2024 proposed to be entered into by the Company with Jiangsu Wanjing, which will be officially entered into, subject to approval at the General Meeting, and will come into force on 1 January 2022
“Listing Date”	11 July 2019, the date on which the H shares of the Company were listed and started to be traded on the Hong Kong Stock Exchange
“Listing Rules of the Hong Kong Stock Exchange”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Listing Rules of the Shenzhen Stock Exchange”	the Rules Governing the Listing of Shares on the ChiNext Market of Shenzhen Stock Exchange, as amended from time to time
“New Agreements”	the Deposit Service Framework Agreement, the Procurement and Service Framework Agreement, the Provision of Products and Services Framework Agreement and the Financial Guarantees Framework Agreement, collectively
“Procurement and Service Framework Agreement”	the procurement of products and services framework agreement 2022-2024 proposed to be entered into by the Company with CIMC, which will be officially entered into, subject to the approval at the General Meeting, and will come into force on 1 January 2022; both parties agree that the Existing Procurement Framework Agreement will expire on 31 December 2021
“Prospectus”	the prospectus of the Company dated 27 June 2019 in relation to the listing of H shares
“Provision of Products and Services Framework Agreement”	the provision of products and services framework agreement 2022-2024 proposed to be entered into by the Company with CIMC, which will be officially entered into, subject to the approval at the General Meeting, and will come into force on 1 January 2022; both parties agree that the Existing Provision of Products and Services Framework Agreement will expire on 31 December 2021
“related party(ies)”	has the meaning ascribed thereto under the Listing Rules of the Shenzhen Stock Exchange

“RMB”